

VILLAGE OF VANDERBILT
Otsego County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Vanderbilt	County Otsego
Fiscal Year End March 31, 2008	Opinion Date May 23, 2008	Date Audit Report Submitted to State May 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

VILLAGE OF VANDERBILT
Otsego County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 23, 2008

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Vanderbilt, Otsego County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Vanderbilt's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Vanderbilt, Otsego County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

We are providing this letter in connection with your audit of the financial statements of the Village of Vanderbilt as of March 31, 2008.

We have made available to you all financial records and related data, and all relevant monitoring reports if any received from funding sources. In addition, copies of the minutes of the meetings of the Vanderbilt Village Council have been provided for you, as well as all budgets, amended budgets, and financial statements provided to the Village Council. The financial statements properly classify all funds and activities.

The Village of Vanderbilt has satisfactory title to all owned assets; there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

There have been no violations of budget ordinance laws including those pertaining to adopting and amending budgets. All necessary public hearings have been properly noticed and held. The minutes of these hearings are on file.

FINANCIAL HIGHLIGHTS

Net assets as of March 31, 2008, totaled \$712,272.59 for governmental activities. Revenues were \$181,529.73 for general government purposes, \$54,070.41 for major streets, and \$35,042.39 for local streets. Our equipment fund revenues were \$58,456.85. Governmental activities showed a slight increase in funds.

Our taxable value was \$9,404,302.00, which was an increase over the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

VILLAGE OF VANDERBILT
Otsego County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	443 472	541 671
Capital Assets	<u>199 530</u>	<u>171 391</u>
Total Assets	<u>643 002</u>	<u>713 062</u>
Current Liabilities	-	789
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>789</u>
Net Assets:		
Invested in Capital Assets	199 530	171 391
Unrestricted	<u>443 472</u>	<u>540 882</u>
Total Net Assets	<u>643 002</u>	<u>712 273</u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	1 450	52 740
Operating Grants and Contributions	-	15 000
General Revenues:		
Property Taxes	79 398	82 218
State Revenue Sharing	128 184	127 174
Interest	15 684	17 192
Miscellaneous	<u>11 584</u>	<u>34 775</u>
Total Revenues	<u>236 300</u>	<u>329 099</u>
Program Expenses:		
General Government	58 664	66 185
Public Works	103 302	160 928
Recreation and Culture	12 529	11 792
Other	<u>22 118</u>	<u>20 923</u>
Total Expenses	<u>196 613</u>	<u>259 828</u>
Increase in Net Assets	39 687	69 271
Net Assets, April 1	<u>603 315</u>	<u>643 002</u>
Net Assets, March 31	<u>643 002</u>	<u>712 273</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities. This includes the General Fund, Major Street Fund, Local Street Fund and the net effect of the Equipment Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental funds: All of the Village's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental activities include the General Fund, Major Street Fund, Local Street Fund, and the net effect of the Equipment Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in governmental activities remains strong. As of March 31, 2008, we have no external debt.

We have no knowledge of any fraud or suspected fraud affecting the entity, including both management and employees. To our knowledge, there have been no related party transactions.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Our General fund covers expense for our public works services including street lights, park maintenance, operation and maintenance of the Village hall, the cost of operating general government (including wages), payment of taxes and insurance, health insurance for full-time employees, and employee retirement contribution. The cost of items covered by this fund was \$157,309.21 for the year 2007-08.

Road construction, upgrade, and maintenance is covered by our street funds – major and local. The total cost of major street care for the year was \$29,484.93. Local street care was \$36,979.78. Snow removal which is a significant expense in northern Michigan is also covered by street funds.

Our Equipment fund provided funds for the purchase of new equipment, depreciation, and equipment maintenance. The Council is soliciting bids for a new pick up truck.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$0 in capital assets.

The Village has no long-term debt liability.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

After purchasing at tax sale a property on Main Street, the Council voted to demolish the substandard dwelling. The property is now vacant, has been seeded, and provides an attractive green space on Main Street. Council has not decided whether to sell the property to recover some of the costs, or to continue to receive suggestions from community residents and the Planning Commission. To date, they have received a suggestion for a community building, tourist information center, or a new Village hall.

The Council did move forward in obtaining another lot on Main Street from the local school system. It is being used for additional off-street parking for tourist parking and snowmobilers. The Council also purchased at tax sale several acres zoned residential, with the hope it will be divided into several residential lots.

The Village continues to attempt to improve the quality of life in the Village in order to encourage realtors to promote the Village more aggressively. There are a number of affordable housing units available in the Village. Council has also encouraged the use of the Village ballfield by a local youth sports group operated by Vanderbilt and surrounding area parents. The Planning Commission in cooperation with the Township Planning Commission, sponsored a night of music in the park. It is their hope that this activity will grow in the near future. The possibility of a new ice rink for the local youngsters is also being explored.

State revenue sharing continues to be a matter of concern. While Villages have been assured that it will not be reduced in the budget year, nevertheless the economic climate within the state as a whole makes it necessary to use funds received most judiciously.

Our taxable value increased in 2007-2008 to \$9,404,302.00. Lack of sewer and water have impeded growth in housing units and industry. After submitting an application for a USDA (RDA) grant for a sewer system, upon learning the latest figures for user fees, the Council withdrew their application.

In the previous year, the Council established an industrial development district (IDD) covering property already zoned for manufacturing within the Village. Almost immediately, the major industry of the Village filed for a tax abatement on a planned upgrade of equipment and facility. It was granted. In today's economic climate, the Council felt it necessary to assist our business community in any way it was possible and to maintain the number of employment opportunities in the Village. The Council then moved forward and established a second IDD to facilitate planned growth of a small locally owned manufacturing company in the Village. This spring the first manufacturer filed a second application for tax abatement for an addition and new equipment. After completion of the addition, the company will expand the workforce and relocate 1/3 of the crew from another plant which is being closed. We look forward to continued expansion by this company.

Although a small Village of 587 citizens, we feel we have continued to improve our Village both physically and in the field of management. Our bills are current and are paid promptly. All tax obligations are paid as required by law. All of our ordinances are up to date. In fiscal 2007-08, a major project was undertaken by the Village Planning Commission. Working with F. Brink AICP of Wade Trim they reviewed the Master Plan and then completely re-wrote the Zoning Ordinance in terms applicable to life today.

The Village extended the contract of coordinator to facilitate completion of the twenty-seven major projects initially assigned to the coordinator. In the interim nine other projects were assigned to the original list. The project of preparing paper work for alley and road closure continues, although it developed into a much larger task than was initially anticipated.

The Village Clerk continues to attend seminars regarding elections and other statutory duties as they are available. In September she conducted her first election successfully. This was the first election since the Council opted to conduct the Village election rather than the Township Clerk.

VILLAGE OF VANDERBILT
Otsego County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

CONTACTING THE VILLAGE'S MANAGEMENT

Our financial records are available to our taxpayers, creditors, and investors, and available as requested, and provide a general overview of our finances. They demonstrate the Village's accountability for the revenues it receives.

If you have any questions concerning the report, please contact the Clerk or Treasurer at the Village Hall, Monday through Friday, from 10 a.m. to 4 p.m. or by telephone (989)983-4244. The Coordinator is available Monday to Wednesday, and Friday.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	520 233 43
Taxes receivable	9 712 00
Due from State of Michigan	<u>11 724 89</u>
Total Current Assets	<u>541 670 32</u>
NON-CURRENT ASSETS:	
Capital Assets	538 253 33
Less: Accumulated Depreciation	<u>(366 862 52)</u>
Total Non-current Assets	<u>171 390 81</u>
TOTAL ASSETS	<u>713 061 13</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>788 54</u>
Total Current Liabilities	<u>788 54</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>788 54</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	171 390 81
Unrestricted	<u>540 881 78</u>
Total Net Assets	<u>712 272 59</u>
TOTAL LIABILITIES AND NET ASSETS	<u>713 061 13</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

		Program Revenue		Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
	Expenses	Charges for Services	Operating Grants and Contributions	Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General government	66 185 09	-	-	(66 185 09)
Public works	160 927 78	52 740 37	15 000 00	(93 187 41)
Culture and recreation	11 792 67	-	-	(11 792 67)
Other	20 922 94	-	-	(20 922 94)
Total Governmental Activities	259 828 48	52 740 37	15 000 00	(192 088 11)
General Revenues:				
Property taxes				82 217 66
State revenue sharing				127 174 04
Interest				17 192 39
Miscellaneous				34 774 92
Total General Revenues				261 359 01
Change in net assets				69 270 90
Net assets, beginning of year				643 001 69
Net Assets, End of Year				712 272 59

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	109 231 69	168 635 27	52 149 56	330 016 52
Taxes receivable	9 712 00	-	-	9 712 00
Due from State of Michigan	-	8 127 14	3 597 75	11 724 89
Total Assets	<u>118 943 69</u>	<u>176 762 41</u>	<u>55 747 31</u>	<u>351 453 41</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>788 54</u>	<u>-</u>	<u>-</u>	<u>788 54</u>
Total liabilities	<u>788 54</u>	<u>-</u>	<u>-</u>	<u>788 54</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>118 155 15</u>	<u>176 762 41</u>	<u>55 747 31</u>	<u>350 664 87</u>
Total fund equity	<u>118 155 15</u>	<u>176 762 41</u>	<u>55 747 31</u>	<u>350 664 87</u>
Total Liabilities and Fund Equity	<u>118 943 69</u>	<u>176 762 41</u>	<u>55 747 31</u>	<u>351 453 41</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	350 664 87
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	538 253 33
Accumulated depreciation	(366 862 52)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets \$293,687.46 net of capital assets of \$103,470.55, included above	
	<u>190 216 91</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>712 272 59</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	73 517 66	-	8 700 00	82 217 66
Federal grant	15 000 00	-	-	15 000 00
State revenue sharing	55 005 00	48 035 03	24 134 01	127 174 04
Interest	3 232 15	6 035 38	2 208 38	11 475 91
Miscellaneous	<u>34 774 92</u>	<u>-</u>	<u>-</u>	<u>34 774 92</u>
Total revenues	<u>181 529 73</u>	<u>54 070 41</u>	<u>35 042 39</u>	<u>270 642 53</u>
Expenditures:				
General government:				
General government	53 526 92	-	-	53 526 92
Building and grounds	8 583 45	-	-	8 583 45
Public works:				
Highways and streets	46 935 77	29 484 93	36 979 78	113 400 48
Sewer	20 000 00	-	-	20 000 00
Culture and recreation:				
Parks and recreation	7 340 13	-	-	7 340 13
Other:				
Other functions	<u>20 922 94</u>	<u>-</u>	<u>-</u>	<u>20 922 94</u>
Total expenditures	<u>157 309 21</u>	<u>29 484 93</u>	<u>36 979 78</u>	<u>223 773 92</u>
Excess (deficiency) of revenues over expenditures	24 220 52	24 585 48	(1 937 39)	46 868 61
Fund balances, April 1	<u>93 934 63</u>	<u>152 176 93</u>	<u>57 684 70</u>	<u>303 796 26</u>
Fund Balances, March 31	<u>118 155 15</u>	<u>176 762 41</u>	<u>55 747 31</u>	<u>350 664 87</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 46 868 61

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (28 139 06)
Capital Outlay -

Internal service funds are used by management to charge the costs of equipment services
to individual funds. Net revenue of the internal service fund is reported within
governmental activities, net of depreciation expense of \$19,509.97 and capital asset
additions of \$0, included above

50 541 35

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 69 270 90

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF NET ASSETS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
March 31, 2008

	Total (Equipment Fund)
ASSETS:	
CURRENT ASSETS:	
Cash in bank	190 216 91
Total Current Assets	190 216 91
NON-CURRENT ASSETS:	
Capital Assets	332 367 77
Less: Accumulated Depreciation	(228 897 22)
Total Non-current Assets	103 470 55
TOTAL ASSETS	293 687 46
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Liabilities	-
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	103 470 55
Unrestricted	190 216 91
Total Net Assets	293 687 46
TOTAL LIABILITIES AND NET ASSETS	293 687 46

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2008

	Total (Equipment Fund)
OPERATING REVENUES:	
Charges for services	<u>52 740 37</u>
Total Operating Revenues	<u>52 740 37</u>
OPERATING EXPENSES:	
Supplies	7 691 91
Repairs and maintenance	<u>223 59</u>
Total Operating Expenses	<u>7 915 50</u>
Operating Income (loss) before depreciation	44 824 87
Less: depreciation	<u>(19 509 97)</u>
Operating income (loss)	<u>25 314 90</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>5 716 48</u>
Total Non-operating Revenues (Expenses)	<u>5 716 48</u>
Change in net assets	31 031 38
Net assets, beginning of year	<u>262 656 08</u>
Net Assets, End of Year	<u>293 687 46</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND REPORTED IN GOVERNMENTAL ACTIVITIES
Year ended March 31, 2008

	<u>Total (Equipment Fund)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	52 740 37
Cash payments to suppliers for goods and services	<u>(7 915 50)</u>
Net cash provided (used) by operating activities	<u>44 824 87</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Acquisition of capital assets	<u>-</u>
Net cash provided (used) by capital financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>5 716 48</u>
Net cash provided (used) by investing activities	<u>5 716 48</u>
Net increase (decrease) in cash	50 541 35
Cash beginning of year	<u>139 675 56</u>
Cash End of Year	<u><u>190 216 91</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	25 314 90
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>19 509 97</u>
Net Cash Provided (Used) in Operating Activities	<u><u>44 824 87</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Vanderbilt, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Vanderbilt. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statement presents revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Internal Service Fund

This fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursement basis.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 before they are added to the county tax rolls. The 2007 tax roll millage rate was 13.5 mills, and the taxable value was \$9,404,302.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-40 years
Furniture and equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>520 233 43</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>424 319 89</u>
Total Deposits	<u>524 319 89</u>

The Village of Vanderbilt did not have any investments as of March 31, 2008.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Village manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Village contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	3 842 02	-	-	3 842 02
Buildings	122 865 46	-	-	122 865 46
Equipment	411 545 85	-	-	411 545 85
Total	538 253 33	-	-	538 253 33
Accumulated Depreciation	(338 723 46)	(28 139 06)	-	(366 862 52)
Net Capital Assets	199 529 87	(28 139 06)	-	171 390 81

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 5 – Pension Plan

The Village has a defined contribution pension plan covering the Village's full-time employees. For the fiscal year ended March 31, 2008, the Village paid \$1,523.50 into the pension plan.

Note 6 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Village of Vanderbilt does not issue building permits. Building permits are issued by the County of Otsego.

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	80 877 00	80 877 00	73 517 66	(7 359 34)
Federal grant	-	15 000 00	15 000 00	-
State revenue sharing	55 215 00	55 215 00	55 005 00	(210 00)
Interest	3 300 00	3 300 00	3 232 15	(67 85)
Miscellaneous	6 850 00	6 850 00	34 774 92	27 924 92
Total revenues	146 242 00	161 242 00	181 529 73	20 287 73
Expenditures:				
General government:				
General government	66 520 00	66 520 00	53 526 92	(12 993 08)
Building and grounds	10 250 00	10 250 00	8 583 45	(1 666 55)
Public works:				
Highways and streets	61 409 00	56 409 00	46 935 77	(9 473 23)
Sewer	-	20 000 00	20 000 00	-
Culture and recreation:				
Parks and recreation	12 180 00	12 180 00	7 340 13	(4 839 87)
Other:				
Other functions	22 417 00	22 417 00	20 922 94	(1 494 06)
Contingency	8 400 00	8 400 00	-	(8 400 00)
Total expenditures	181 176 00	196 176 00	157 309 21	(38 866 79)
Excess (deficiency) of revenues over expenditures	(34 934 00)	(34 934 00)	24 220 52	59 154 52
Fund balance, April 1	34 934 00	34 934 00	93 934 63	59 000 63
Fund Balance, March 31	-	-	118 155 15	118 155 15

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	47 500 00	47 500 00	48 035 03	535 03
Interest	<u>5 252 00</u>	<u>5 252 00</u>	<u>6 035 38</u>	<u>783 38</u>
Total revenues	<u>52 752 00</u>	<u>52 752 00</u>	<u>54 070 41</u>	<u>1 318 41</u>
Expenditures:				
Public works:				
Highways and streets:				
Administration	500 00	500 04	500 04	-
Routine maintenance:				
Wages	3 000 00	4 000 00	2 692 50	(1 307 50)
Supplies/maintenance	2 000 00	1 000 00	-	(1 000 00)
Contracted services	34 300 00	33 300 00	1 950 00	(31 350 00)
Equipment rental	8 500 00	8 500 00	7 334 23	(1 165 77)
Traffic services:				
Supplies	500 00	500 00	111 91	(388 09)
Winter maintenance:				
Wages	3 000 00	4 000 00	3 632 00	(368 00)
Supplies	2 000 00	250 00	250 00	-
Contracted services	3 500 00	3 015 72	2 280 01	(735 71)
Equipment rental	8 500 00	10 734 24	10 734 24	-
Contingency	<u>2 000 00</u>	<u>2 000 00</u>	<u>-</u>	<u>(2 000 00)</u>
Total expenditures	<u>67 800 00</u>	<u>67 800 00</u>	<u>29 484 93</u>	<u>(38 315 07)</u>
Excess (deficiency) of revenues over expenditures	<u>(15 048 00)</u>	<u>(15 048 00)</u>	<u>24 585 48</u>	<u>39 633 48</u>
Fund balance, April 1	<u>15 048 00</u>	<u>15 048 00</u>	<u>152 176 93</u>	<u>137 128 93</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>176 762 41</u>	<u>176 762 41</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	8 700 00	8 700 00	8 700 00	-
State revenue sharing	24 000 00	24 000 00	24 134 01	134 01
Interest	2 000 00	2 000 00	2 208 38	208 38
Total revenues	34 700 00	34 700 00	35 042 39	342 39
Expenditures:				
Public works:				
Highways and streets:				
Administration	500 00	500 04	500 04	-
Routine maintenance:				
Wages	3 000 00	4 000 00	3 703 00	(297 00)
Supplies/maintenance	1 500 00	1 500 00	-	(1 500 00)
Contracted services	20 000 00	15 785 74	5 550 00	(10 235 74)
Equipment rental	11 000 00	12 000 00	11 893 59	(106 41)
Traffic services:				
Supplies	500 00	500 00	310 39	(189 61)
Winter maintenance:				
Wages	3 000 00	3 600 00	3 597 75	(2 25)
Supplies	1 500 00	439 21	250 00	(189 21)
Equipment rental	8 500 00	10 460 75	10 460 75	-
Easements	-	714 26	714 26	-
Total expenditures	49 500 00	49 500 00	36 979 78	(12 520 22)
Excess (deficiency) of revenues over expenditures	(14 800 00)	(14 800 00)	(1 937 39)	12 862 61
Fund balance, April 1	14 800 00	14 800 00	57 684 70	42 884 70
Fund Balance, March 31	-	-	55 747 31	55 747 31

VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

General government:	
Village Council:	
Wages	5 420 00
Office supplies	2 947 06
Printing and publishing	2 478 30
Professional services	5 083 50
Community promotion	300 00
Memberships and dues	1 056 88
Training	15 00
President:	
Wages	990 00
Elections	1 725 31
Clerk:	
Wages	9 249 96
Treasurer:	
Salary	5 250 00
Village Coordinator	2 970 00
Planning Commission	4 770 37
Zoning Administrator	960 00
Unallocated:	
Miscellaneous	10 310 54
	<u>53 526 92</u>
Building and grounds:	
Supplies	7 608 29
Telephone	410 16
Utilities	85 00
Repairs and maintenance	480 00
	<u>8 583 45</u>
Public works:	
Highways and streets:	
Wages	15 355 50
Pension	1 523 50
Hospital insurance	6 588 49
Contracted services – sanitation	4 283 93
Equipment rental	9 377 13
Street lighting	9 807 22
Sewer:	
Contracted services	20 000 00
	<u>66 935 77</u>
Parks and recreation:	
Wages	2 767 00
Operating supplies	360 00
Utilities	720 00
Repairs and maintenance	552 70
Equipment rental	2 940 43
	<u>7 340 13</u>
Other functions:	
Insurance	16 231 00
Payroll taxes	4 691 94
	<u>20 922 94</u>
Total Expenditures	<u>157 309 21</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 23, 2008

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the financial statements of the Village of Vanderbilt for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Vanderbilt in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants